

Message Text

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LIMDIS

PASS AMBASSADORS HINTON AND MCDONALD FROM WOLFF

E.O. 11652: N/A

TAGS: ETRD, MTN/LIMDIS

SUBJECT: SUMMARY OF GUNDELACH, BERGLAND, STRAUSS TALKS,
MARCH 8-9, 1978

1. THE TWO DAYS OF DISCUSSIONS WERE CONSTRUCTIVE ALTHOUGH
THEY PRODUCED NO CONCRETE RESULTS. THERE WAS HOWEVER A
CLEAR POLITICAL LEVEL COMMITMENT ON BOTH SIDES TO TRY TO
COME TO GRIPS WITH FUNDAMENTAL PROBLEMS IN AGRICULTURE
AS WELL AS EACH SIDES SINA QUA NON'S IN THE MTN. THE
DIFFERENCES ARE STILL VERY GREAT AND THERE WILL HAVE TO BE
A SERIES OF FURTHER BILATERAL DISCUSSIONS IN ORDER TO SEE
HOW THE U.S. CAN ACHIEVE ITS OBJECTIVES WITH RESPECT TO
MARKET ACCESS FOR FEEDGRAINS AND DISCIPLINE ON EXPORT
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RESTITUTIONS, PARTICULARLY TO THIRD MARKETS.

2. GUNDELACH STEADFASTLY MAINTAINED THE COMMUNITY'S
OVERRIDING INTEREST IN STABILITY BUT ACKNOWLEDGED THAT
MARKET ACCESS AND LIMITS ON RESTITUTIONS COULD BE ACHIEVED
IN AN APPROPRIATE CONTEXT. HE ADDED THAT HE HOPES TO
MODERATE THE INCREASE IN EC INTERNAL PRICES SO THAT THE

STABILITY THAT HE SEEKS CAN BE ACHIEVED WITH EC INTERNAL PRICES CLOSER TO THOSE OF THE WORLD MARKET. THE U.S. MADE ITS REQUEST FOR A BINDING OF THE VARIABLE LEVY ON FEEDGRAINS

WHICH WAS REJECTED BY GUNDELACH AS POLITICALLY IMPOSSIBLE. (ADDITIONAL GUIDANCE FOR FOLLOW-UP WILL BE PROVIDED ON THIS ISSUE.) OTHER SPECIFIC COMMODITY INTERESTS WERE ALSO DISCUSSED ON A PRELIMINARY BASIS.

3. DENMAN WAS CRITICAL OVER WHAT HE REGARDED AS A LESS THAN CONSTRUCTIVE ROLE BY THE UNITED STATES WITH RESPECT TO EC OBJECTIVES IN SAFEGUARDS. THERE WAS A SEPARATE DISCUSSION HEADED BY KLEIN FOR THE EC AND RIVERS ON SUBSIDIES (REPORTED SEPTTEL).

4. COMMENT: AN ENCOURAGING FEATURE OF THIS MEETING WAS THAT EACH SIDE ADDRESSED ITSELF TO ITS FUNDAMENTAL AGRICULTURAL OBJECTIVES RATHER THAN QUESTIONS OF PROCEDURE OR MECHANISMS WHICH HAD BEEN THE FOCUS OF NUMEROUS US-EC EXCHANGES ON AGRICULTURE IN THE PAST. WHILE THE EC REJECTED THE SPECIFIC US REQUEST FOR A BINDING OF THE FEEDGRAIN LEVY, GUNDELACH DID NOT REJECT THE CONCEPT OF MARKET ACCESS AND WE EXPECT TO NURTURE A CONTINUING DIALOGUE ON HOW WE CAN ATTAIN US MARKET ACCESS AS THE EC PURSUES ITS PRICE STABILITY OBJECTIVES IN THE GRAINS AREA. WE WERE ALSO ABLE TO CONVEY TO

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GUNDELACH THE POLITICAL AND ECONOMIC SENSITIVITY OVER DAIRY AND SOYBEANS IN THE US STRESSING PARTICULARLY THE ADVERSE REACTION WHICH WOULD RESULT FROM AN IMPAIRMENT OF THE US SOYBEAN BINDING BY THE EC.

END COMMENT. VANCE

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